

## PIC WISCONSIN

### Exhibit 2B description

1. Provide a general description of the actuarial methodologies used to determine and monitor carried loss and loss adjustment expense reserves for the medical malpractice business written, including frequency of reviews.

Answer: Tillinghast performs semi-annual reserve reviews. A number of methodologies are used, such as the Bornhuetter-Ferguson method, the reported development method, the paid development method, the reported frequency/severity method, and the paid frequency/severity method.

2. Discuss the adequacy of medical malpractice loss and loss adjustment expense reserves as of the most recent year-end and identify and describe any material changes in the past five years in amounts of carried reserves and in reserving methods. If a material unfavorable trend exists, indicate what actions were taken to address the issue. Identify the materiality standard used to respond to this question and provide the basis for this standard.

Answer: The medical malpractice loss and loss adjustment reserves are deemed to be adequate. Over the past 5 years, there has been no significant trend in the amount of carried reserves.

3. Compare company trends to industry trends, with regards to the medical malpractice line of business and include information about the specific business written by the company and, if necessary, reasons why company trends are different from the industry.

Answer: Frequency has either remained stable or decreased depending on the jurisdiction. Severities have increased at a moderate rate. Both frequency and severity trends are similar to industry trends.

1. *Provide a general discussion regarding the adequacy of surplus reported on Annual Statement, page 3 (Liabilities, Surplus and Other Funds), line 35, Surplus as regards policyholders, as of the last year-end.*

Answer: The Company's adjusted capital of \$86.7 million exceeds the NAIC Company Action Risk-Based Capital by \$57.1 million. The Company believes that the current surplus is adequate for its lines of business and premium volume. Additionally, the Company's "A-minus" rating from A.M. Best is another indication of an adequate level of surplus.

2. *Identify and describe any material events of known material trends, favorable or unfavorable, in the insurer's surplus account in the past five years. This description should include any significant changes in the surplus ratios shown on Exhibit 1. If a material unfavorable trend exists, indicate the courses of remedial actions already taken or that are available to the insurer and the effects or potential effects of each. Identify the materiality standard used to respond to this item and provide the basis for this standard.*

Answer: PIC Wisconsin accrued a \$20 million surplus contribution from PRA Group in 2006, which was collected in 2007. The policy of the Company is to preserve its strong capital position in order to support the expansion of its business and to enable the Company to take advantage of opportunities presented by the inevitable changes that are anticipated in the health care delivery system in the United States.

PIC Wisconsin - Illinois Direct Medical Malpractice Business Only  
Company Defined Items

Please note that for Exhibit 2A, Surplus, all values for the following fields were rounded to the nearest thousand: Net Income, Change in Net Unrealized Capital Gains or (Losses), Change in Net Deferred Income Tax, Change in Non-admitted Assets, Change in Provision for Reinsurance, Capital/Surplus Changes and Adjustments, which is the net result of all capital and surplus contributions and transfers, Dividends to Stockholders, Other Changes to Surplus, and Total Change. The reason for this is that the field lengths provided in the call are not long enough to support all of our data. To be consistent, all of these values are shown without the \$000's.

Professional Liability Umbrella coverage provides additional Medical Malpractice coverage. In annual statements 2007 and prior, Professional Liability Umbrella experience is included in Other Liability, Occurrence. To more accurately reflect the Medical Malpractice coverage that it provides, historical premiums, losses, and expenses were moved from Other Liability, Occurrence to the appropriate Medical Malpractice category in the 2008 annual statement.

For Exhibit 1ci-ii, Corporations are included in the exposure count with a relativity of 0. For Exhibit 1cii and 1ciii, losses are gross of deductible

1. For all exhibits requiring "by county" information, indicate how the data is grouped, whether by claim county, policy issuing county or other method. If "other", describe method used. Describe any changes made to the way in which the data has been grouped during the past ten years and the impact of the change(s) on the exhibits.

All "by county" information for PIC Wisconsin Insurance Company refers to policy issuing county. There have been no changes to this grouping in the past ten years.

2. Describe any changes made to reserving or claim payment practices in the past ten years and their impact on the exhibits.

There have been no changes to claim payment or reserving practices in the past ten years.

3. Define closed claim, i.e., is a claim closed when it is assigned a closed date, or when both indemnity plus expense reserves are \$0, or in some other instance? Describe any changes made to this definition in the past ten years and the impact of the change(s) on the exhibits.

A claim is closed when it is assigned a closed status, and in addition, the reserves (for both indemnity and expense) are set to \$0. There have been no changes to this definition in the past ten years.

4. Explain/define the corporate policies written by the company.

Corporate exposures are included in the exposure information provided with this data request. Losses on corporate exposures are included in the claims information provided. PIC Wisconsin offers coverage for the corporation when the physician(s) are insured by us for an additional charge.

5. Each company shall use the base class and territory which is consistent with its most recent rate filing. Please define your company's base class and territory. Describe any changes made to the base class and/or territory in the past ten years and the impact of the change(s) on the exhibits.

The base class is the class in which 80268, Physician NOC - no surgery, is included. The base territory is the territory in which the following counties are included: Cook, Madison, and St. Clair. This has changed over the past 10 years in the manner detailed in any filings PIC Wisconsin has submitted to the Department in this time period. Please refer to these exhibits for those details. The exhibits provided here are done on the basis of currently filed base class and territory information, and therefore, there is no impact from these changes.

6. Describe any adjustments made to exposure for extended reporting endorsements and the impact of the adjustment(s) on the exhibits.

Extended reporting endorsements are counted as one exposure, and they are fully earned in the inception year of the tail policy.

7. For the maturity year and tail factors disclosure, list each tail factor with the corresponding maturity year if a different tail factor is used for each maturity year. If another method is used, list and describe factors and method used.

This is the method used. See Item (C-5)(c)(iv) for the tail factors.

8. Define what expenses are included in the expense factor.

See Item (C-5)(c)(v) for the detailed expense factors.

9. List and define individually any "other" factors used in the rate filing to establish rates. This could include but is not limited to the following: profit load, reinsurance load, investment income, schedule debits/credits, etc.

See Item (C-5)(c)(v) for the detailed expense factors.

10. Describe any methods and/or assumptions used in creating Reserve Study Exhibit A and why these assumptions are necessary.

The data in Exhibit 2A Reserves Part 1 has been rounded to the nearest 1,000 to fit the cell length.

Exhibit 2A Reserve Part 2 data for loss types ILDC and IBNR is only available for calendar years 2007 and 2008. Effective in August of 2006, Physicians Insurance Company of Wisconsin (PICW) merged with ProAssurance Corporation. The PICW computer system was merged into the ProAssurance computer system at the end of 2007. Detailed IBNR information for Defense and Cost Containment Expenses is not available for calendar years 2006 and prior. PLDC data for years 2002 and prior is not available because detailed paid deductible information is not available for those years

For 2007 and prior, Ancillary Provider and Paramedical data is included in the Physician Category. In 2008, this data is included in the Other Health Care Providers. This is consistent with how the data is reported in the corresponding annual statements.